

Message Text

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ACTION EUR-12

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TAGS: EGEN, EFIN, PFOR, SP

SUBJECT: MORE COMMENT BY EMINENT ECONOMIST FUENTES QUINTANA

REF: MADRID 7757

1. SUMMARY: AN ESSAY BY GRAND OLD MAN ECONOMIST PROFESSOR FUENTES QUINTANA APPEARED IN "ABC" ON NOVEMBER 9. FUENTES' VIEWS ARE ESPECIALLY IMPORTANT BECAUSE OF A GROWING CONSENSUS HERE AMONG ECONOMIC WRITERS THAT THE GOS IS NOT ONLY PAYING INSUFFICIENT ATENTION TO THE RECOMMENDATION OF PROFESSIONAL ECONOMISTS BUT ALSO MISLEAFING THE SPANISH PUBLIC WITH ITS OWN POLITICIZED VERSION OF THE ECONOMIC ART.
END SUMMARY.

2. REFTEL REPORTS A COVERSAATION BETWEEN QUINTANA AND EMBOFFS IN WHICH WUINTANA INDICATES THAT THE MINISTER OF FINANCE AND THE HEAD OF THE BANK OF SPAIN ARE NOT QUALIFIED BY EXPERIENCE FOR THE POSITIONS THEY HOLD AND THAT STRONG ECONOMIC LEADERSHIP WITHIN GOS IS ABSENT.

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3. A RECENT EDITORIAL IN THE PRESTIGIOUS ECONOMIC WEEKLY "ACTUALIDAD ECNOOMICA" (NOVEMBER 16) SUMMARIZED THE THRUST OF THE "ABC" ARTICLE WHEN IT SAID QUOTE PROFESSOR FUENTES WUINTANA HAS POINTED OUT, WITH EVIDENT CORRECTNESS, THE DIFFERENCE BETWEEN THE POLITICAL LANGUAGE OF THE PRESENT GOVERNMENT CONVINCING FOR MANY SPANIARDS AND ITS ECONOMIC LANGUAGE INEXISTENT OR INCOMPREHENSIBLE. UNFORTUNATELY, THE INEFFICIENCY OF THE ECONOMIC EFFORT AND THE RESULTING CRITICISM COULD FRUSTRATE THE POLITICAL EFFORT AND CONSIDERABLY WEAKEN THE GOVERNMENT OR SOME OF ITS LEADERS. END QUOTE.

4. WHAT FUENTES QUINTANA WROTE IN "ABC" (MONARCHIST) WAS NOT ONLY AS BLUNT AS THE ABOVE BUT ALSO DETAILED AND READABLE. HE SAID THERE ARE THREE SPANISH ECONOMIC CRSES:

(1) A CRISIS WAS INITIATED IN 1974 BY INCREASED OIL AND RAW MATERIAL PRICES WHICH LED TO INCREASED INFLATION BECAUSE NO QUOTE SOCIAL GROUP END QUOTE WISHED TO SHOULDER THE BURDEN AND WHICH LED TO STAGNATING PRODUCTION AND A LARGE BALANCE OF PAYMENTS DEFICIT. THIS CRISIS, CALLED IN SPAIN "TEMPORARY" (COYUNTURAL), CANNOT BE TREATED BY CONSIDERING IT AS SUCH:

(2) CRISIS OF THE PRODUCTION STRUCTURE.

THIS COMPOSED OF THE FOLLOWING ELEMENTS:

A) ESTERIOR WEAKNESS DUE TO UNCOMPETITIVE SPANISH PRODUCTION AND EXCESSIVE IMPORT DEMAND.

B) SECTORAL INEQUALITY WHICH WORKS AGAINST AGRICULTURE, COMMERCE AND PUBLIC SERVICES:

C) INEQUALITY OF GEOGRAPHIC REGIONS:

D) INCAPACITY TO USE AVAILABLE LABOR.

E) IMPOSSIBILITY OF CONTINUING TO SUPPORT PAST LEADING SECTORS (CHEMICALS ENERGY AND MACHINERY) BEACUSE OF DEPENDENCE ON CRUDE OIL.

AND (3) CRISIS OF THE ECONOMIC SYSTEM DUE TO AN ILL DEFINED INTERFERENCE OF THE PUBLIC SECTOR IN THE MARKET EOCNOMY.

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5. AS A RESULT OF THESE CRISES, FUENTES STATES THAT NEITHER EXPANDED (PUBLIC) CREDIT NOR INCREASED PUBLIC EXPENDITURES ARE SUFFICIENT TO REACTIVATE THE SPANISH ECONOMY. FURTHER, THE USE OF SUCH A STRATEGY WOULD FIRE INFLATION AND ACCENTURATE THE CURRENT ACCOUNT DEFICIT. THE GOVERNMENT ALSO NEEDS A COMPREHENSIVEN ALL INCLUSIVE PUBLIC SECTOR BUDGET STRATEGY, A BALANCE OF PAYMENTS

AND EXCHANGES RATE POLICY. AND POLICY FOR CONVERTING
THE LEADING INDUSTRIAL SECTOR TO MORE PRODUCTIVE USE.

6. WHILE FUENTES WUINTANA WROTE THAT HE CONCURRED IN
GIVING PRIORITY TO POLITICAL REFORM HE OPINED THAT THE
GOVERNMENT STILL NEEDED TO AVOID EMPIRICALLY WRONG
ECONOMIC DECISIONS (WHEREUPON HE LISTS MANY GOS ATTEMPTS
TO CHANGE BY DECREE LAW, OR WITH PUVBLIC MONEY, THE
FUNCTIONING OF MARKETS), TO "PROFESSIONALIZE" ECONOMIC
DEICISIONS (WHICH HE LABELS A TRADITIONAL GOS
OVERSIGHT) AND TO ORGANIZE POLITICAL ECONOMIC LEADER
SHIP (WITH EMPHASIS ON THE NEED FOR LEADERS AND
INSTITUTIONS WHICH CAN BROADLY CONCEIVE NATIONAL
STRATEGIES). THE GOS, FUENTES QUINTANA SUMS UP, LACKS
QUOTE INTEGRATION AND TECHNICAL KNOWLEDGE END QUOTE.
AND ITS MEASURES ARE CONFUSING, INSUFFICIENTLY CONCEIVED
AND POORLY DEVELOPED.

7. COMMENT: THE OPINIONS OF FUENTES QUINTANA ARE
IMPORTANT BECAUSE OF HIS PROFFESIONAL STATURE. HIS
VIEWS ARE WIDELY DISCUSSED. WHILE HIS ANALYSIS
OF THE PRESENT ECONOMIC OBSTACLES SEEMS CORRECT TO US
AND IS EXPRESSED WITH GREAT CLARITY, HIS PROPOSALS FOR
CONCRETE GOS ACTION ARE EXPRESSED SOMEWHAT POLEMICALLY
AND DIFFERENCES OF VIEW AMONG SPANISH ECONOMISTS ARE MORE WIDESPREAD.
WHAT IS CLEAR IS THAT THE FUENTES VIEWS HAVE PERSONALLY
OFFEFDED AND CERTAINLY STIMULTED SOME GOS OFFICALS.
WE HAVE HEARD FUENTES QUINTANA VARIOUSLY CATEGORIZED
BY SPANIARDS AS A SOCIALIST AND AS CENER RIGHT
WHATEVER HIS POLITICAL INCLINATIONS, WE DO KNOW
THAT HE HAS TURNED DOWN IN THE PAST OFFERS TO BE
APPOINTED TO TOP GOVERNMENT POSTS.

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